

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| ELECTRONIC APPLICATION OF FOOTHILLS |) | |
| RURAL TELEPHONE COOPERATIVE |) | CASE NO. |
| CORPORATION, INC. FOR A GENERAL |) | 2017-00086 |
| ADJUSTMENT IN RATES |) | |

ORDER

On April 28, 2017, Foothills Rural Telephone Cooperative Corporation, Inc. (“Foothills Rural Telephone”) filed a motion for waiver of certain rate application filing requirements contemporaneously with tendering its application requesting authorization to adjust its rates and charges for basic local exchange service.

In its motion, Foothills Rural Telephone requested a waiver from the following filing requirements and subparts of 807 KAR 5:001:

- Section 16(4)(b), which requires the filing of prepared testimony of each witness who will support the application.

Foothills Rural Telephone requested a waiver from this requirement because a detailed narrative explanation of the proposed rate adjustment, which complies with a Federal Communications Commission (“FCC”) order and is not driven by a financial need, was submitted as Exhibit 1 of the application, and thus does not require further explanation through prepared testimony.

- Section 16(4)(h), which requires a summary of determination of revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage, or operating ratio, with supporting schedules.

Foothills Rural Telephone requested a waiver from this requirement to the extent that it must provide information in addition to the 2016 Rural Utilities Service (“RUS”) operating report submitted with the application as Exhibit 5, which contains financial information regarding Foothills Rural Telephone’s revenue position compared to its required operating revenues. Foothills Rural Telephone argues that the proposed rate adjustment will be offset by revenue reductions imposed by the FCC’s reduction of access revenues from intercarrier compensation, and thus, no or nominal additional revenue is expected from the proposed rate adjustment.

- Section 16(4)(i), which requires the reconciliation of rate base and capital used to determine revenue requirements.

Foothills Rural Telephone requested a waiver from this requirement because the proposed rate adjustment is based on a rate floor set by the FCC, not on rate base and capital.

- Section 16(4)(n), which requires the summary of the latest depreciation study with a schedule identifying current and test-period depreciation rates used by major plant accounts.

Foothills Rural Telephone requested a waiver from this requirement because its current and test-period depreciation rates used by major plant accounts are on file with the Commission as Exhibit 6 to Foothills Rural Telephone’s application in Case No. 2014-00328.¹ Foothills Rural Telephone states that the rates are the Commission’s average depreciation rates, and they have not changed. Foothills Rural Telephone further states

¹ Case No. 2014-00328, Application of Foothills Rural Telephone Cooperative Corporation for a General Adjustment in Rates (filed Oct. 29, 2014), Application, Exhibit 8.

that since the proposed rate adjustment is based on a rate floor set by the FCC, it has provided sufficient information to allow the Commission to efficiently evaluate the application.

- Section 16(4)(q), which requires the annual report to shareholders, or members, and statistical supplements covering the two most recent years from the utility's application filing date.

Foothills Rural Telephone requested a waiver from this requirement to the extent that it must provide information in addition to its audited financial statement and independent auditor's opinion letter it submitted with its application as Exhibit 6.

- Section 16(4)(r), which requires the monthly managerial reports providing financial results of operations for the 12 months in the test period.

Foothills Rural Telephone requested a waiver from this requirement because its most recent independent auditor's opinion letter is submitted with its application as Exhibit 6. Foothills Rural Telephone has also filed its 2016 RUS report with its application as Exhibit 5.

- Section 16(5), which allows, upon good cause shown, a utility to request pro forma adjustments for known and measurable changes to ensure fair, just, and reasonable rates based on the historical test period, and which requires any such adjustments to be supported by specific financial and statistical information.

Foothills Rural Telephone requested a waiver from this requirement because its application does not include any pro forma adjustments.

Based on a review of Foothills Rural Telephone's motion and rate application, the Commission finds that:

1. Foothills Rural Telephone's application has been filed to comply with an FCC mandate which specifies a rate floor for basic exchange service.

2. Based on the FCC rate mandate, Foothills Rural Telephone has shown good cause to permit it to deviate from the filing requirements of 807 KAR 5:001, Sections 16(4)(b), 16(4)(h), 16(4)(i), 16(4)(n), 16(4)(q), 16(4)(r), and 16(5), and its request for a waiver from the filing requirements should be granted.

3. The Commission, on its own motion, finds that Foothills Rural Telephone's 2016 annual financial report on file with the Commission should be incorporated into the record by reference only.

IT IS THEREFORE ORDERED that:

1. Foothills Rural Telephone's request for a deviation from the filing requirements of 807 KAR 5:001, Sections 16(4)(b), 16(4)(h), 16(4)(i), 16(4)(n), 16(4)(q), 16(4)(r), and 16(5), is granted.

2. Foothills Rural Telephone's 2016 annual financial report on file with the Commission is incorporated into the record by reference only.

3. Foothills Rural Telephone's application is deemed filed as of the date of this Order.

4. Pursuant to KRS 278.180(1), the proposed rates cannot become effective for 30 days from the date of this Order.

By the Commission

ENTERED
MAY 16 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2017-00086

*Eileen M Bodamer
Bodamer Consulting, LLC
415 Hepplewhite Drive
Johns Creek, GEORGIA 30022

*Foothills Rural Telephone Cooperative
1621 Kentucky Route 40 W
P. O. Box 240
Staffordsville, KY 41256

*Ruth Conley
General Manager/CEO
Foothills Rural Telephone Cooperative
1621 Kentucky Route 40 W
P. O. Box 240
Staffordsville, KY 41256

*Susan Fairchild
Foothills Rural Telephone Cooperative
1621 Kentucky Route 40 W
P. O. Box 240
Staffordsville, KY 41256

*Edward T Depp
Dinsmore & Shohl, LLP
101 South Fifth Street
Suite 2500
Louisville, KENTUCKY 40202